

Message Text

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ACTION ARA-10

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E.O. 11652: N/A
TAGS: EFIN MX
SUBJ: NEW ADMINISTRATION RATIFIES IMF AGREEMENT.

1. SUMMARY: DECEMBER 30 NEWSPAPERS CARRY GOM PRESS
RELEASE STATING THAT THE NEW ADMINISTRATION HAS RATIFIED
THE AGREEMENT SIGNED WITH THE IMF TWO MONTHS EARLIER.
END SUMMARY.

2. PRESS RELEASE STATES THAT RATIFICATION WILL GIVE
MEXICO THREE YEARS IN WHICH TO REESTABLISH EXTERNAL AND
INTERNAL EQUILIBRIUM. PRESS RELEASE NOTES THAT USING
THE EXTENDED FUND FACILITY WILL AVOID THE NEED TO TAKE
MORE RESTRICTIVE MEASURES THAT WOULD BE NECESSARY IF
EQUILIBRIUM WERE TO BE RESTORED IN A SHORTER TIME
FRAME. SUCH MEASURES WOULD, IT IS NOTED, "DRASTICALLY
AFFECT PRODUCTION AND EMPLOYMENT."

3. USE OF EFF HAS THREE IMPORTANT ASPECTS, ACCORDING TO
PRESS RELEASE. ONE IS THAT IT AVOIDS THE NEED TO RESORT
TO BILATERAL SUPPORT, OR "SIMPLE SUPPORT FROM MARKETS."
THE SECOND IS THAT IT PERMITS A GRADUAL ADJUSTMENT OF
THE ECONOMIC DISEQUILIBRIUM. THE THIRD IS THAT THE
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TECHNICAL SUPPORT OF THE IMF WILL INCREASE INTERNATIONAL
SUPPORT OF MEXICAN ECONOMIC POLICIES.

4. PRESS RELEASE CITES THE FOLLOWING AS THE
OBJECTIVES OF THE GOM'S ECONOMIC ADJUSTMENT PROGRAMS:
(A) TO IMPROVE THE ECONOMIC GROWTH RATE; (B) TO INCREASE

EMPLOYMENT OPPORTUNITIES FOR THE GROWING LABOR FORCE;
(C) STRENGTHEN INTERNAL SAVINGS, THEREBY REDUCING THE
NEED FOR RECOURSE TO FOREIGN BORROWINGS; AND (D) FACILITATE
A RELATIVE STABILITY FOR INTERNAL PRICES AND REESTABLISH
A "DYNAMIC" EQUILIBRIUM IN THE BALANCE OF PAYMENTS
SUSTAINABLE OVER THE MEDIUM TERM.

5. FINALLY, PRESS RELEASE STATES THAT DURING THE
ADJUSTMENT PERIOD, THE GOM WILL SEEK TO REESTABLISH
"FISCAL EQUILIBRIUM", TO REDUCE THE FOREIGN DEBT TO A
HEALTHY AND SUSTAINABLE LEVEL FOR THE LONG TERM, AND TO
MAKE STRUCTURAL CHANGES THAT WILL PERMIT A MORE DYNAMIC
DEVELOPMENT AND A MORE EQUITABLE DISTRIBUTION OF THE
BENEFITS OF THIS DEVELOPMENT.

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Message Attributes

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